

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 CIAE-00 COME-00 DODE-00
DOTE-00 EB-08 FMC-01 INR-07 NSAE-00 CG-00 DLOS-09
OES-06 AID-05 FRB-03 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 PM-04 H-01
L-03 NSC-05 PA-01 PRS-01 SS-15 /108 W
-----011615Z 106585 /44

R 311659Z MAR 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7050

INFO USMISSION EC BRUSSELS

AMEMBASSY TOKYO

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY COPENHAGEN

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ETRN, OECD, GW

SUBJECT: FRG AID TO ITS SHIPBUILDING INDUSTRY

REF: (A) BONN 3855, (B) OECD PARIS 9164

1. FRG HAS ANNOUNCED PLANS FOR INCREASED ASSISTANCE
TO THE GERMAN SHIPBUILDING INDUSTRY. THE FEDERAL
GOVERNMENT IS PROPOSING AN INCREASE, FROM THE PRESENT
12.5 TO 17.5 PERCENT, IN THE SUBSIDY GIVEN TO GERMAN
PURCHASERS TOWARD THE COST OF NEW COASTAL AND RIVER
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SHIPS. THIS ACTION COMES IN RESPONSE TO DEMANDS FROM
SEVERAL QUARTERS IN THE FRG (SEE REF A) FOR MORE HELP
FOR THE INDUSTRY.

2. IN ADDITION, THE FRG DEVELOPMENT AID BUDGET
CONTAINS DM 130 MILLION IN TIED DEVELOPMENT AID FOR THE
PURCHASE OF GERMAN-BUILT SHIPS BY LDC'S. THIS IS

ALMOST AS MUCH AS THE GREATLY EXPANDED PROGRAM OF 1976 AND THUS FIRMLY ESTABLISHES A PRECEDENT FOR THIS FORM OF ASSISTANCE TO THE INDUSTRY FOR THE FUTURE.

3. BOTH OF THESE MEASURES FALL OUTSIDE THE SCOPE OF EXISTING OECD AGREEMENTS RESTRICTING GOVERNMENT ASSISTANCE FOR SHIPBUILDING, BUT THE FRG DELEGATION WILL REPORT ON THE NEW MEASURES AT THE NEXT OECD WP6 MEETING.

4. REGARDING THE ALLEGED INDUSTRY-LEVEL AGREEMENT BETWEEN JAPAN AND THE FRG RESTRAINING JAPANESE YARDS FROM BUILDING SHIPS FOR GERMAN OWNERS (REF B), ECONMIN SOURCE STATED THAT HE IS AWARE OF CONTACT WHICH DID TAKE PLACE BETWEEN INDUSTRY REPS OF THE TWO COUNTRIES. FORM OF CONTACT WAS APPARENTLY A LETTER WRITTEN FROM A JAPANESE TRADE ASSOCIATION TO ITS GERMAN COUNTERPART. LETTER INDICATED THAT JAPANESE WOULD TEMPORARILY REFRAIN FROM TAKING FURTHER ORDERS FROM GERMAN PURCHASERS DUE TO THE SEVERE PROBLEMS IN THE GERMAN SHIPBUILDING INDUSTRY. ECONMIN SOURCE EMPHASIZED THAT FEDERAL GOVERNMENT HAD NO CONTROL OVER THE INDUSTRY, BUT HE SUSPECTED THE JAPANESE WERE ACTING "VOLUNTARILY" TO SAFEGUARD THEIR ALREADY HIGH SHARE OF GERMAN SHIP ORDERS FROM POSSIBLE FRG REACTION.

5. ECONMIN SOURCE OBSERVED THE ADVERSE REACTIONS OF OTHER DELEGATIONS AT THE WP6 MEETING, BUT HE CLAIMED THAT GERMAN INDUSTRY IS NOT THE ONLY ONE TO HAVE HAD LIMITED OFFICIAL USE

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CONTACTS WITH THE JAPANESE IN THIS MANNER. HE EXPECTED THE EC COMMISSION TO TAKE THE LEAD IF THE PROBLEM OF "VOLUNTARY" RESTRICTIONS BECOMES A MAJOR PROBLEM. STOESEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SHIPBUILDING INDUSTRY, PROGRAM ASSISTANCE, SUBSIDIES
Control Number: n/a
Copy: SINGLE
Sent Date: 31-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BONN05740
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770112-0805
Format: TEL
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977034/aaaaadfz.tel
Line Count: 101
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 40b9d4b4-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 BONN 3855, 77 OECD PARIS 9164
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 07-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3050145
Secure: OPEN
Status: NATIVE
Subject: FRG AID TO ITS SHIPBUILDING INDUSTRY
TAGS: ETRN, GE, OECD
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/40b9d4b4-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009